

# Jupiter North American Income Fund

Short Interim Report – for the six months ended 31 January 2014



## Investment Objective

To achieve long-term capital growth and income by investing primarily in North American securities.

## Investment Policy

To invest primarily in North American 'blue-chip' companies.

The Manager has the power to use derivatives but it is intended that these will only be used for efficient portfolio management and not for investment purposes.

## Performance Record

### Percentage change and sector ranking from launch to 31 January 2014

	6 months	1 year	5 years	10 years	Since launch*
Jupiter North American Income Fund	-2.6	12.4	85.9	120.9	86.4
North American sector position	82/104	86/100	60/84	11/56	27/39

Source: FE, Retail income units, bid to bid, net income reinvested.  
\*Launch date 7 September 1998.

With effect from 8 May 2007 the Fund's objective changed to include the provision of income and its current name and objective reflects this change. Also with effect from 1 August 2007 charges have been taken from capital which will increase income but constrain capital growth.

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in a unit trust and the income from it can fall as well as rise and it may be affected by exchange rate variations. You may get back less than you invested.

## Risk Profile

The Fund has little exposure to liquidity, counterparty or cash flow risk. The risks it faces from its financial instruments are market price, credit, foreign currency and interest rate risk. The Manager reviews policies for managing these risks in pursuance of the Investment Objective and Policy.

## Risk and reward indicator

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

### Retail Units

1	2	3	4	5	6	7
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### I-Class Units

1	2	3	4	5	6	7
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- The lowest category does not mean 'no risk'. Some risk will still be present in funds with a risk and reward rating of 1.
- The Fund is in this category as it invests in a wide range of company shares, which carry a degree of risk.

## Unit Classes

In addition to the basic class of units which are available to all types of investors, the Fund also offers I-Class units which are available to investors who invest a minimum of £5,000,000. Further details are available from the Manager on request. Please note that in order to distinguish between the unit classes within the Fund they are defined in this report as either Retail Units (non I-Class) or I-Class Units. The unit types associated with each unit class are disclosed in the Comparative Tables on page 2.

**Warning to Unitholders** Customers of financial institutions can be prone to attempts by fraudsters to obtain personal information or money. There are many ways they can initiate contact, such as emails, letters and cold calls, but methods are constantly evolving so it is important that you are aware of the types of scams so that you are better able to protect yourself. Please visit our website [www.jupiteronline.com](http://www.jupiteronline.com) or call 0844 620 7600 for further information.

## Charges

The charges you pay are used to pay the costs of running the Fund, including the costs of marketing and distributing it. These charges reduce the potential growth of your investment.

Charges taken from the Fund over the six months (annualised) to:	31.01.14	31.01.13
Ongoing charges for Retail Units	1.79%	1.79%
Ongoing charges for I-Class Units	1.04%	1.04%

## Portfolio Turnover Rate (PTR)

Six months to 31.01.14	Six months to 31.01.13
-5.23%	-1.98%

The PTR provides an indication of the rate the Manager has bought and sold the underlying assets of the Fund during the period as indicated above. In general, the higher the PTR of a fund, the greater level of portfolio transaction costs will be incurred.

## Distributions/Accumulations

	Interim Distributions/Accumulations for six months to 31.01.14	Interim Distributions/Accumulations for six months to 31.01.13
	Pence per unit	
Retail Income units	0.5822	0.6393
Retail Accumulation units	0.6459	0.6979
I-Class Income units	0.5941	0.6466
I-Class Accumulation units	0.6572	0.6992

## Fund Facts

Fund accounting dates		Fund payment/accumulation dates	
31 January	31 July	31 March	30 September

## Comparative Tables

### Net Asset Values

Date	Net Asset Value of Fund	Net Asset Value per unit				Number of units in issue			
		Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*
31.07.13	£502,420,340	81.97p	90.93p	83.26p	92.15p	364,745,385	171,941,157	27,597,954	26,163,245
31.01.14	£514,443,289	79.27p	88.61p	80.81p	90.10p	323,742,095	109,713,910	76,156,981	109,953,448

### Unit Price Performance

Calendar Year	Highest offer				Lowest bid			
	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*
2009	57.66p	59.83p	n/a	n/a	38.71p	39.83p	n/a	n/a
2010	65.41p	68.91p	n/a	n/a	50.92p	53.66p	n/a	n/a
2011	67.81p	72.08p	62.17p	66.62p	51.85p	55.56p	54.87p	58.80p
2012	71.18p	77.68p	68.41p	74.50p	61.04p	65.41p	61.18p	65.56p
2013	87.83p	97.45p	84.81p	93.87p	66.24p	72.30p	67.06p	73.01p
to 31.01.14	87.05p	96.58p	84.35p	93.35p	78.41p	87.01p	80.04p	88.59p

### Income/Accumulation Record

Calendar Year	Pence per unit			
	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*
2009	0.8500p	0.8723p	n/a	n/a
2010	0.8200p	0.8540p	n/a	n/a
2011	1.0105p	1.0695p	n/a	n/a
2012	1.1856p	1.2765p	1.0569p	1.1343p
2013	1.2603p	1.3818p	1.2759p	1.3928p
to 31.03.14	0.5822p	0.6459p	0.5941p	0.6572p

\*I-Class income units and I-Class accumulation units were introduced on 19 September 2011.

All of the Fund's expenses are charged to capital. This has had the effect of increasing the distributions paid on an annualised basis on Retail Units by up to 1.79% of the class' average Net Asset Value during the period under review (I-Class Units 1.04%) and constraining the class' capital performance to an equivalent extent.

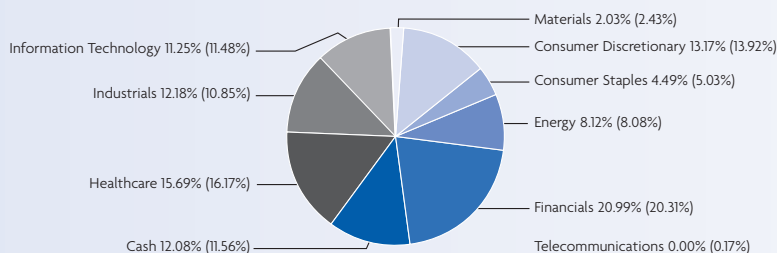
## Major Holdings

The top ten holdings at the end of the current period and at the end of the previous year are shown below.

Holding	% of Fund as at 31.01.14	Holding	% of Fund as at 31.07.13
Bank of America	3.65	Bank of America	3.37
Comcast 'A'	3.20	Johnson & Johnson	3.32
Chevron	3.00	Chevron	2.80
Johnson & Johnson	2.97	Comcast 'A'	2.71
AIG	2.77	JP Morgan Chase	2.68
Microsoft	2.74	CVS Caremark	2.65
CVS Caremark	2.73	Microsoft	2.55
JP Morgan Chase	2.52	Pfizer	2.52
Pfizer	2.43	Honeywell International	2.27
Honeywell International	2.33	Cisco Systems	2.19

## Portfolio Information

### Classification of investments as at 31 January 2014



The figures in brackets show allocations as at 31 July 2013.

## Investment Review

### Performance Review

For the six months ended 31 January 2014, the total return on the units was -2.6%\* in sterling terms compared to a return of -0.1%\* for the IMA North American sector average and -1.4%\* for the Fund's benchmark, the S&P 500 Index. Over ten years, the total return was 120.9%\* compared to 90.7%\* for the sector average and 114.5%\* for the benchmark index. The Fund was ranked 82nd out of 104 funds over the six months and 11th out of 56 funds over ten years in the IMA North American sector\*.

An interim distribution of 0.5822 pence per unit will be paid to holders of Retail Income units on 31 March 2014 (Retail accumulation units 0.6459 pence per unit), compared to 0.6393 pence per unit for Retail Income units (Retail accumulation units 0.6979 pence per unit) paid in respect of the same period last year. An interim distribution of 0.5941 pence per unit will be paid to holders of I-Class Income units (I-Class accumulation units 0.6572 pence per unit) on 31 March 2014 compared to 0.6466 pence per unit for I-Class Income units (I-Class accumulation units 0.6992 pence per unit) paid in respect of the same period last year.

\*Source: FE, Retail Units, bid to bid, net income reinvested.

The performance statistics disclosed above relate to Retail Income Units unless otherwise stated.

### Market Review

US equities were volatile in the six months under review on concerns about the Federal Reserve (Fed) tapering its quantitative easing (QE) policy and on political uncertainties over the government budget and the debt ceiling. Despite this, US equities gained ground over the six months, with the S&P 500 Index rising 6.8% in US dollar terms. However, the index fell 1.4% in sterling terms due to the US dollar's weakness.

US equities started the six months on a weak note amid continuing concerns that the Fed might start reducing QE soon. Investor confidence was also shaken by fears that the US might begin military action against Syria. US equities recovered in September, supported by easing concern about Syria and the Fed surprised investors by not tapering QE. However, investors became increasingly concerned about the political impasse over the federal budget and the debt ceiling which led to a partial shutdown of the US government in early October.

The market rebounded after the Congress agreed on a last-minute deal on the budget and the debt ceiling, while dovish Janet Yellen was nominated to be the next Fed Chair.

US equities ended 2013 on a positive note, despite the Fed's decision to start reducing QE in January. The initial level of tapering was smaller than economists had expected and this eased concerns about a rapid withdrawal of liquidity.

However, the S&P 500 Index fell in January as concerns about the effect of the Fed's earlier decision affected emerging markets where some currencies fell sharply again. Despite this, the Fed decided to maintain the pace of tapering as the US economy improved further. Fourth-quarter US GDP grew by an annualised 3.2% in spite of the partial shutdown of the government in October. However, the job market began to show mixed data with employment numbers trailing expectations.

### Policy Review

The Fund fell 2.6% in sterling terms over the six months under review, slightly underperforming its benchmark, the S&P 500 Index, which fell 1.4%. Our overweight stance in cash detracted from performance as the US market continued to rise in local currency terms, outperforming returns from cash (US dollar). Stock selection in the technology sector was also negative for performance as our holding in telecoms equipment maker Cisco Systems underperformed on concern about weaker sales, while we did not hold Facebook which outperformed.

However, stock selection in the consumer services sector contributed positively to performance, with our holdings in pay-TV companies Comcast and Dish Network making significant contributions, helped by a recovery in domestic demand. Stock selection was also positive in the financial and support services sectors. Our positions in rental services company United Rentals, Bank of America, payment services provider Fidelity National Information Services, life assurer Lincoln National and American Express all added value.

In terms of transactions, we initiated a holding in United Rentals on share price weakness early in the six months under review as we expected the equipment rental company to benefit from a further recovery in domestic demand. Towards the end of the period, we took profits in our holding in pay-TV provider Dish Network as its valuation looked stretched following its strong performance in 2013. We reinvested the proceeds into a similar high-quality company, DirecTV, whose valuation appeared to have overly discounted its modest exposure to Latin America.

### Outlook

The US economy continues to improve, driven by strengthening private sector growth that has largely been absent for much of the past seven years. The main drivers of this continuing recovery are housing and manufacturing. The US has for some time seen fewer homes built than are necessary to cater for its growing population and this has set the stage for a housing recovery by helping absorb excess inventory. Big pay increases for Chinese workers and largely static US unit labour costs in the past decade look to have turned the tide for US manufacturing, which is now seeing something of a renaissance. The development of shale gas should further increase tailwinds for US manufacturing by providing cheaper energy and raw materials.

US equities are sitting close to record highs and may face further volatility in the coming months. Although the Fed started the process of reducing QE in 2014, the US economy is still in the midst of 'financial repression' with rock bottom interest rates and multiple rounds of QE allowing indebted borrowers and governments to reduce their cost of debt at the expense of savers. This has had the effect of warping risk premiums as income-starved investors have been forced into taking on greater risk, making some parts of the market relatively expensive. As a result, we look to protect the portfolio as monetary policy begins its journey back to normality. Using the Fund's cash position, we aim to take advantage of market weakness to pick up good quality multinationals at lower values as we believe the anticipated volatility makes it all the more important to focus on valuation as a 'margin of safety'.

**Sebastian Radcliffe**  
Fund Manager

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## ■ Responsible Stewardship

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Jupiter believes that responsible stewardship is an important issue and aims to act in the best interests of all its stakeholders by engaging with the companies that it invests in, and by exercising its voting rights with care. We believe companies with high standards of corporate responsibility, governance and sustainable business practices create an appropriate culture to enhance good investment performance. **Jupiter's Corporate Governance and Voting Policy** and its compliance with the **UK Stewardship Code**, together with supporting disclosure reports are available at [www.jupiteronline.com](http://www.jupiteronline.com)

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This document is a short report of the Jupiter North American Income Fund for the period ended 31 January 2014. The full Report and Accounts of the Fund is available on our website [www.jupiteronline.com](http://www.jupiteronline.com) or upon written request to Jupiter Unit Trust Managers Limited, PO Box 10666, Chelmsford CM99 2BG.

The information in this report is designed to enable you to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period.

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